

Joint Legislative Healthy Forest Task Force

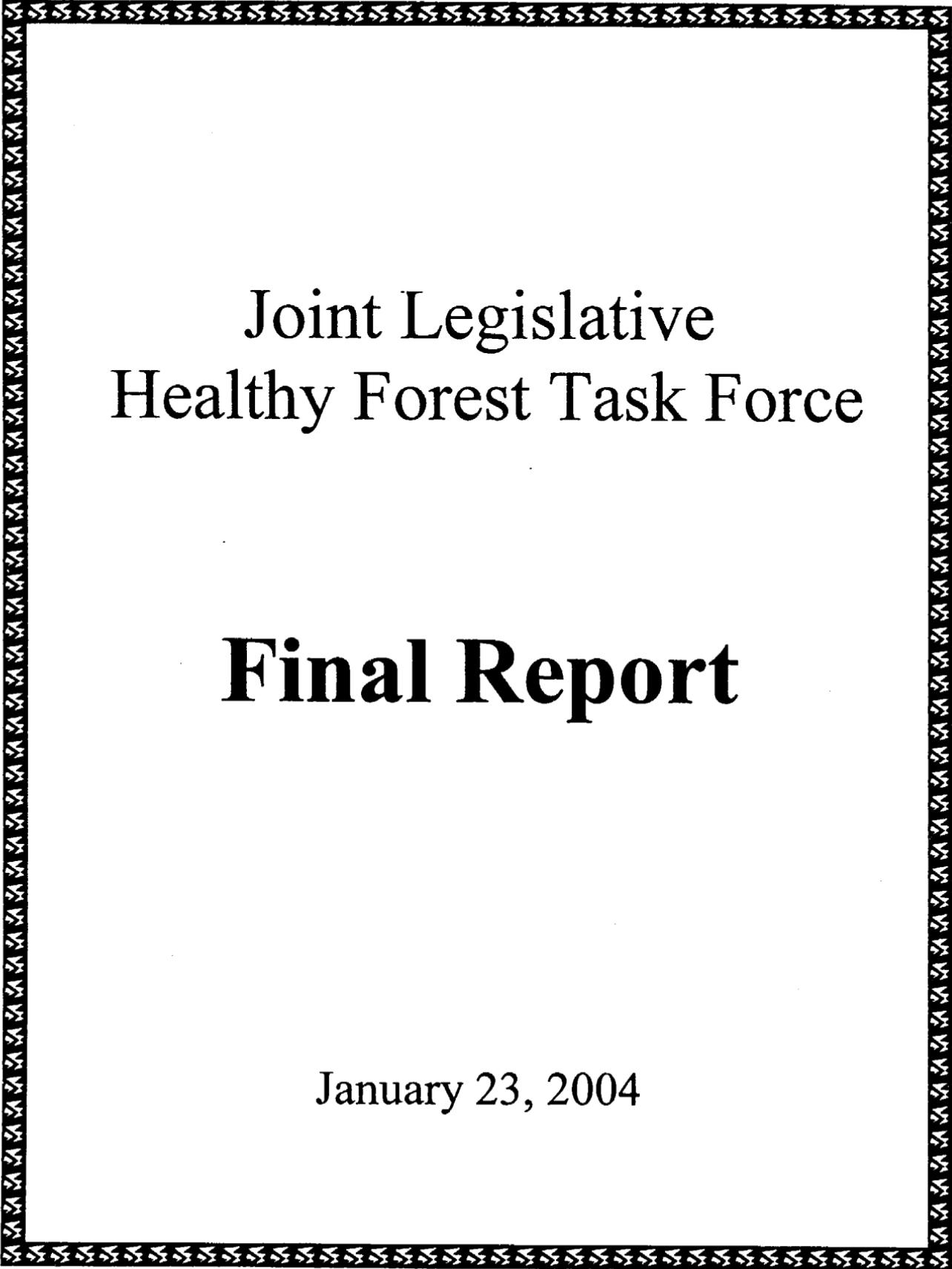
Final Report

January 24, 2004

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Joint Legislative
Healthy Forest Task Force

Final Report

January 23, 2004

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

FINAL REPORT

January 23, 2004

Attached is the final report of the Joint Legislative Healthy Forest Task Force. Meeting agendas, minutes, and a list all of the presentations given during the meetings are included.

Senate Members

Senator Marilyn Jarrett, Cochair
Senator Marsha Arzberger
Senator Jack A. Brown

House Members

Representative Cheryl Chase, Cochair
Representative Joe Hart
Representative Bill Konopnicki

Public Members

Michael E. Anable, Foray Land Consulting
Dr. Wally Covington, Regents' Professor School of Forestry, Ecological Restoration Institution, NAU
Charlie Ester, Salt River Project, Manager, Water Resource Operations
Mr. Jack Metzger, Rancher, Flagstaff
Mr. Ben Nuvamsa, Superintendent, Fort Apache Agency
Mr. Lon Porter, Precision Pine and Timber, Inc.

Attachments

Joint Legislative Healthy Forest Task Force Recommendations
Meeting Notices
Meeting Minutes
Mike Anable's Proposal
Presentation List

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Background

The President of the Senate and the Speaker of the House created the Joint Legislative Healthy Forest Task Force in August 2003. The purpose of the Task Force is to recommend policies based on scientific principles for the restoration and long-term health of Arizona's forests and to determine science-based approaches for implementing these policies.

Procedures

The Task Force held four public meetings: September 10, 2003, October 7, 2003, November 18, 2003 and December 16, 2003.

The Task Force adopted the following recommendations at the meeting on December 16, 2003:

1. Draft a letter to the Western States Land Commissioners, asking the organization to develop a resolution that addresses the need to remove road blocks on thinning and other measures to improve the health of Arizona's forests.
2. Send a letter to Congress from the Task Force:
 - Expressing strong support for the Forest Service in its efforts to remove the larger commercial sized dead trees from the Rodeo-Chediski Fire while they still have value.
 - Requesting funding assistance for a state pilot project (as outlined in paragraph 3 below).
 - Encouraging the speedy implementation of the newly enacted Healthy Forest Initiative.
 - Encouraging federal entities to support establishment of infrastructure through funding, tax incentives and making available federal lands for industrial plant locations.
 - Encouraging efforts in the public school system to educate our citizens on the need to treat all of our forested lands.
3. Direct State Land Department to:
 - Identify potential pilot programs to promote forest health that include areas of large land for treatment operations and fuel hazard reduction efforts. The identified areas must include substantial areas of deep forest as well as the urban interface. These programs must harvest and utilize the forest fuels in a manner that is science based and environmentally sensitive and include measures to restore healthy water cycles to forest lands.
 - Identify specific public-private partnerships that may be useful in promoting forest health and maximizing local efforts, which may include joint projects with other governments, including tribes.

- Work in partnership with federal agencies to implement a pilot program.
- Identify the steps necessary, including specific regulatory relief, that may be needed to implement the pilot program in conjunction with the provisions of the newly enacted Healthy Forest Initiative.
- Take the steps needed to maximize State Fire Assistance Grants, including the establishment of timelines for the use of grant monies and the reallocation of lapsed grant monies to other projects.
- Report to the Legislature and Governor by November 1, 2004 on any recommended statutory changes, costs and any federal regulatory relief, including the NEPA process, that are needed to improve forest health and execute the recommendations of this task force. The report shall also include the status of the State Fire Assistance Grant Program and identify other grant programs that may be utilized to assist with overall healthy forest management.

Attachments

1. Meeting Notices
2. Meeting Minutes
4. Mike Anable's Proposal
5. Presentation List

Agendas can be obtained via the Internet at <http://www.azleg.state.az.us/iaagenda.htm>

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

JOINT LEGISLATIVE STUDY COMMITTEE ON STATE EMPLOYEE COMPENSATION

Date: Wednesday September 10, 2003

Time: 10:00 a.m.

Place: Senate Hearing Room 109

AGENDA

1. Call to Order
2. Opening Remarks
3. Presentation of State Compensation Ranking and Market Comparison – ADOA
4. Discussion
 - Extension of the Committee
 - State Budget Process & Competitive Compensation
 - Alternative Types of Compensation
5. Future Meeting
 - Revenue Forecast
 - Self-Insurance
 - Benefits Survey
6. Public Testimony
7. Adjourn

Members:

Senator Jay Tibshraeny, Cochair
Senator Barbara Leff
Senator Marsha Arzberger
Betsey Bayless
Bill Bell
Cathy McGonigle
Kathy Peckardt
Pam Tenney

Representative John Huppenthal, Cochair
Representative Marian McClure
Representative Meg Burton Cahill
Alan Maguire
Leigh Cheatham
Shawn Nau
Linda Strock
Carl Williams

ns/tam
9/21/03

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Senate Secretary's Office: (602) 542-4231 (voice). Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA STATE LEGISLATURE

Joint Interim Meeting Notice

Open to the Public

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

DATE: Tuesday, October 7, 2003

TIME: 2:00 p.m.

PLACE: House Hearing Room 5

AGENDA

1. Call to Order
2. Forest Thinning Partnership, Charlie Hendrickson, APS
3. Healthy Forest Pilot Program, Michael Anable
4. Update on Federal Legislation, Sean Noble, Chief of Staff, Office of Congressman Shadegg
5. Timber Industry Issues, Lon Porter
6. Current and Future Biomass Generating Stations
7. Call to the Public
8. Adjourn

MEMBERS:

Senator Jarrett, Cochair
Senator Arzberger
Senator Brown
Michael E. Anable
Dr. Wally Covington
Charlie Ester

Representative Chase, Cochair
Representative Hart
Representative Konopnicki
Jack Metzger
Ben Nuvamsa
Lon Porter

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1/20/2004

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ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Date: Tuesday, November 18, 2003

Time: 2:00 p.m.

Place: Senate Hearing Room 1

AGENDA

1. Call to Order
2. Staff presentation on Biomass Energy and Products Research
3. U.S. Forest Service Draft Environmental Impact Statement for the Rodeo-Chediski Fire Salvage Project
4. Presentation by Dora Schriro, Director of Department of Corrections
5. State Land Issues, Mike Hart, State Land Fire Management
6. Discussion of possible Task Force recommendations
7. Call to the Public
8. Adjourn

Members:

Senator Marilyn Jarrett, Co-Chair
Senator Marsha Arzberger
Senator Jack Brown
Michael E. Anable
Dr. Wally Covington
Charlie Ester

Representative Cheryl Chase, Co-Chair
Representative Joe Hart
Representative Bill Konopnicki
Jack Metzger
Ben Nuvamsa
Lon Porter

11/7/03
KM/ac

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Joanne

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Date: Tuesday, December 16, 2003

Time: 10:00 a.m.

Place: House Hearing Room 3

AGENDA

1. Call to Order
2. Discussion and adoption of final recommendations
3. Call to the Public
4. Adjourn

Members:

Senator Marilyn Jarrett, Cochair
Senator Marsha Arzberger
Senator Jack Brown
Michael E. Anable
Dr. Wally Covington
Charlie Ester

Representative Cheryl Chase, Cochair
Representative Joe Hart
Representative Bill Konopnicki
Jack Metzger
Ben Nuvamsa
Lon Porter

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ARIZONA STATE LEGISLATURE
Forty-sixth Legislature – First Regular Session

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Minutes of Interim Meeting
Wednesday, September 10, 2003
Senate Hearing Room 1 -- 2:00 p.m.

Cochairman Jarrett called the meeting to order at 2:10 p.m. and the secretary noted attendance.

Members Present

Senator Marsha Arzberger	Representative Joe Hart
Senator Jack A. Brown	Representative Bill Konopnicki
Michael E. Anable, Foray Land Consulting,	Jack Metzger, Rancher, Flagstaff
former State Land Director	Ben Nuvamsa, Fort Apache Agency
Dr. Wally Covington, Ecological	Lon Porter, Precision Pine & Timber, Inc.,
Restoration Institute, NAU	Heber
Senator Marilyn Jarrett, Cochair	Representative Cheryl Chase, Cochair

Members Absent

Charlie Ester, SRP

Speakers Present

Cochairman Jarrett recognized persons who did not speak, page 1
Kerri Morey, Senate Research Analyst, Committee on Natural Resources & Transportation
Dr. Wally Covington, Regents' Professor, School of Forestry, Ecological Restoration Institute,
Northern Arizona University (NAU)
Benjamin H. (Ben) Nuvamsa, Superintendent, Fort Apache Agency
Sylvia Allen, Heber, President, Freedom For America League
Rob Smith, Southwest Regional Director, Sierra Club

Introductions

Cochairman Jarrett welcomed everyone present and asked Task Force members to introduce themselves.

She recognized Nelson Pierce, representing District I Congressman Rick Renzi, and Bruce Raden, representing District III Congressman John Shadegg.

Cochairman Jarrett said she anticipates holding three meetings, each three weeks apart, with individual topics to be covered at each meeting. The next meeting is tentatively scheduled for October 1, 2003.

Committee Charge

Kerri Morey, Senate Research Analyst, Committee on Natural Resources & Transportation, read the Task Force's charge:

To recommend policies based on sound scientific principles for the restoration and long-term health of Arizona's forests and to determine realistic approaches for implementing those policies.

Update on the Current Condition of Arizona's Forests

Dr. Wally Covington, Regents' Professor, School of Forestry, Ecological Restoration Institute, Northern Arizona University (NAU), gave a PowerPoint presentation titled "*Update on the Current Condition of Arizona's Forests*" (see copy, Attachment 1). Topics discussed include the following:

- Symptoms and consequences of unhealthy forests in Arizona. These include catastrophic fire seasons, increased insect and disease problems, lengthened fire seasons, and increased Wildland Urban Interface (WUI) conflicts.
- Crownfires are the latest in a long series of symptoms of declining ecosystem health. These include increased erosion and sedimentation, loss of herbaceous cover and forage, tree population explosions, and loss of plant and animal diversity.
- Watershed degradation - requiring a multiple century recovery period.
- Environmental impact of fires, including costs for fire suppression, damage to homes and infrastructure, degradation of wildlife and human habitats, watershed, erosion, tourism, loss of recreational facilities, evacuation costs, timber losses, cultural and archeological sites, rehabilitation and public health.
- Chart of Arizona/New Mexico Forest Service total fires by decade, showing average acres burned per year increasing at an accelerating rate.
- Current status of bark beetles in Arizona. An estimated 6-8 million trees have died in 2003 and beetle populations remain active. This can be expected to be a multi-year outbreak and, in the absence of tree thinning, continued episodic beetle outbreaks can also be expected.

Dr. Covington reviewed the 2003 fire season which resulted in approximately 183,000 acres burned to date, the fifth worst fire season on record, and emphasized that new records continue to be made. He asserted that forest conditions continue to decline, not only by fire and bark beetles, but also a comprehensive loss of resource values in the state. The forests are greatly impoverished in terms of water yield, wildlife habitat and human habitat compared to the latter part of the 19th Century. He concluded that, in his estimation, if these trends continue Arizona has perhaps twenty years left before virtually every acre is affected and degraded.

Senator Arzberger asked what can be done to reverse the trend. Dr. Covington said it is essential to get at the underlying problem, which is an overpopulation of young trees at the expense of older trees.

Restoration Activities on Reservation Land since the 2002 Rodeo-Chediski Fire

Benjamin H. (Ben) Nuvamsa, Superintendent, Fort Apache Agency, made a PowerPoint presentation about restoration activities on reservation land in response to the 2002 Rodeo-Chediski fire (see printed copy, Attachment 2). He reviewed the history of the fire, which began on June 18, 2002, and resulted in the merging of two fires, a loss of more than 470,000 acres, and evacuation of 30,000 residents.

Mr. Nuvamsa reviewed in detail the primary *Burned Area Emergency Rehabilitation (BAER)* goals:

- Emergency stabilization
- Rehabilitation

He advised that an estimated 2.1 million seedlings per year will be needed over a 15-year reforestation period. The program has just begun with 700,000 trees on 7,000 acres.

The overall BAER project is estimated at \$24 million over a three-year time frame to address the immediate fire impact. Long term issues will require further appropriations. He cautioned that flooding can be expected to continue until the vegetation takes hold.

Mr. Nuvamsa concluded with the following findings:

- Treatments are not broad enough
- Multiple treatments are needed

Responding to a query by Mr. Porter about the treatments, Mr. Nuvamsa said there has been some pre-commercial thinning of pole-sized material. However, since there is no other utilization of that material, markets need to be developed. In addition, mistletoe and other pests were addressed.

Cochairman Jarrett asked how the acreage was selected to begin the planting of 700,000 trees on 7,000 acres. Mr. Nuvamsa said it was necessary for the team to prioritize. The Bureau of Indian Affairs (BIA) uses the *Indian Self-Determination and Education Assistance Act*, under which the Tribe can assume some of the functions. He emphasized that it is a team effort.

Mr. Metzger asked what measurements are used to determine whether another treatment is needed. Mr. Nuvamsa responded that the Tribal Council is consulted, as well as the interdisciplinary team that includes hydrologists, archeologists and others. He added that higher elevation areas will require more aggressive treatments.

In response to a query by Mr. Anable, Mr. Nuvamsa confirmed that the same protocols are followed, as well as Tribal environmental laws. He concluded his presentation by noting that there exists a Statement of Relationship between the United States Fish and Wildlife Service and the White Mountain Apache Tribe with regard to endangered species.

Science-based Approaches to Improving the Health of Arizona's Forests

Dr. Covington reviewed a PowerPoint presentation on science-based approaches for improving forest health, and emphasized that the basic premise of ecological restoration is to address the underlying causes. He made the following points:

- Heal the patient, not just treat the symptoms
- Reference restoration treatment
- Change the basic prescription for specific resource objectives
- Alternative restoration prescriptions produce very different outcomes

He pointed out that Arizona has an active and ongoing research program and a strong science base for comprehensive ecosystem restoration. In that regard, the state can do the following:

- Establish Arizona as the forest health restoration research development and application test site for the nation
- Support the Congressional delegation in acquiring resources to restore forest health in Arizona
- Provide leadership in assuring federal, state and local government cooperation to implement large scale restoration treatments
- Support efforts to assure that federal and state agencies are adequately funded
- Enhance state university collaboration through the Ecological Restoration Institute

Dr. Covington advised that he meets regularly with NAU President John Hager and that NAU is prepared to answer the call. In addition, the Western Governors' Association (WGA), Secretary of the Interior, and Secretary of Agriculture have signed a ten-year cohesive strategy, and the federal government will provide the resources needed to get the job done if Arizona provides leadership.

In conclusion, he emphasized that the map of susceptible forest to catastrophic loss from fire and beetles in Arizona is almost all red. This, he said, makes it essential to move forward apace.

Responding to questions, Dr. Covington explained that when he speaks of "pre-settlement" he means the period around 1880, because before that time natural processes kept tree populations in check.

Cochairman Jarrett said she has been told that 95 percent of the pine trees around Prescott have been destroyed. Dr. Covington affirmed that the beetle outbreaks around Prescott have between a 70 percent and a 100 percent mortality in some of the stands, which is analogous to a severely burned area. This points to the need for a process for bark beetle rehabilitation, and, in that

regard, restoration to natural conditions can be compared to intensive care. Responding to further questions, he noted that it is uncertain if the trees need to be cleaned out. The landscape can be hazardous and it needs to be done quickly because of rapid degradation. In addition there is the sociological question of whether any benefits may be derived from the trees. To date there is no forward movement to clean up the forest on a large scale.

Mr. Hart asked where Arizona falls, with about 10,000 acres, on the graph shown on the presentation. Dr. Covington said Arizona is now 10:1 or 20:1, and even removal of a lot of trees would not restore forest health. He added that the cost of the fires is massively underestimated. The federal government spent \$1.2 billion to restore 50,000 acres near Los Alamos. He opined that, at \$10,000 to \$20,000 per acre, it makes no economic sense to let the fires burn.

Mr. Hart asked if it would not be smarter to put the \$24 million into treatment right away, rather than rehabilitate one area. Dr. Covington said these are difficult choices, but that money spent for prevention is worth much more. He remarked that many areas are, to all intents and purposes, gone for many generations.

Mr. Nuvamsa pointed out that the \$24 million is just a beginning and it will take a lot more to address the long term impacts of the fire. In fact, it will take a minimum of 150 years of forest management to bring the burned area back into a commercial forest.

Mr. Metzger said he believes goal directed management is needed. He added that he is concerned about getting funding, and the need for balance to allow for human use of the forest, which would require a change in federal law. At this time there is no direction to do anything that is proposed. Dr. Covington agreed that the deck seems to be stacked against action, and said he believes the worst would be to do nothing.

Mr. Hart said he believes the State of Arizona has been damaged financially and that the Attorney General should be asked to find out who is responsible.

Sylvia Allen, Heber, President, Freedom For America League, said she is a fifth generation Arizonan who has been involved in forestry issues since 1991. She described the stress and anger she experienced when her family was forced to evacuate in June, 2002, which included moving 24 animals. She contended that all scientists agree with Dr. Covington that there are too many trees. Watershed and wildlife habitat are being lost, the paper industry is gone, as well as the timber industry, which at one time contributed \$500 million to the state treasury. She observed that the focus has moved to homeowners, yet a quarter-mile clearing will not save homes.

Ms. Allen distributed photographs of the devastation and said the Freedom For America League supports HR 1904, the Healthy Forest Restoration Act. (Attachment 3 is a packet of materials provided by the Freedom For America League consisting of an August Alert, a handout titled "*Nothing is a greater threat to animal habitat than a catastrophic forest fire,*" and the May 2003 and August 2003 editions of "*Evergreen*" magazine.)

Ms. Allen pointed out that, absent legislation to stop them, the White Mountain Apache Tribe is able to log \$50 million board feet per year, which has resulted in beautiful forest lands.

She emphasized that the community will come up with solutions if they are just given an opportunity to do so.

Rob Smith, Southwest Regional Director, Sierra Club, said he is a public member of the Governor's Forest Health Advisory Committee. He pointed out that the U.S. Forest Service in Albuquerque has reported that 90 percent of the ponderosa pine trees in the Southwest are 12 inches in diameter or less. The remaining 10 percent are the most fire resistant, the most rare, and also the most commercially viable, which creates the controversy. Mr. Smith contended that private industry will not solve the problem with the 90 percent because they can only afford to take the largest trees, so it will take public investment to cut the right trees in the right places. He said there is agreement that money is available for fire fighting, but not enough on the front end for prevention. In regard to public lands, he said it is important to look at piñon-juniper and grasslands, as well as ponderosa pine. And, since most fires start where people live, it makes sense to start thinning around communities because as long as people in communities are threatened by wildfire, it will be difficult to tell them that the forest in the back country should have priority.

Cochairman Jarrett asked if the Sierra Club would support an industry that would cut down the small trees. Mr. Smith responded that it makes sense and that the Southwest Forest Alliance supports cutting trees. Mrs. Jarrett observed that some companies can use the smaller diameter trees. Mr. Smith said he would not oppose an industry focused on thinning smaller diameter trees. Asked to comment further, he reiterated that there are too many small trees and it is his contention that the Forest Service should mark and start with the smaller trees. He said the need is to cut the small trees and allow the big ones to grow.

Cochairman Chase remarked that lives have been lost because of the fires and resulting flash floods and she believes it is important to move forward.

Mr. Nuvamsa commented that everyone is concerned about the health of the forest, but his charge is sustainability, and while he agrees that the Wildland Urban Interface needs to be addressed, it is essential to get into the interior of the forest. He added that the Tribe is not necessarily looking at the commercial value of the trees because there are areas of cultural significance and other issues involved. Mr. Smith said it is possible to prioritize certain key areas outside the WUI, but the science is less clear and the goals more complex.

Mr. Metzger remarked that although in his experience it is possible to work with individuals in the environmental community, road blocks arise in dealing with environmental groups, particularly over old growth and a vision for the future. He said this is a discussion that needs to be held. Mr. Smith responded that some projects have been a good idea, and the objection by the Sierra Club or other groups is to cutting old growth.

Mr. Metzger asserted that the issue is forest health. He said there are many things that are impossible to discuss, and asked if the Sierra Club is willing to sit down and consider the future. Mr. Smith said the Sierra Club works with the Southwest Forest Alliance, and it is his belief that there is general consensus in the environmental community that the issue is not one of stopping the cutting of trees, but rather which ones, and where. He added that if the discussion is driven by forest health rather than revenue from timber sales, the groups would agree.

Mr. Anable asked if the environmental groups' objection is to the timber industry profiting from cutting, or to cutting trees more than 12 inches in diameter. Mr. Smith responded that the Alliance has stated "*No trees above 16 inches.*" In addition, the Sierra Club has a policy of "*No commercial sales from national forests*" because it has seen the industry cut what they could afford to cut and leave the others. The groups agree with paying to cut trees.

Cochairman Jarrett pointed out that there is no money to pay people to cut trees. On the other hand, the Apache Tribe has been able to glean the usable timber and manage the forest. She asked if the environmental groups approve of the way the Apache Tribe has managed and cleaned up the forest since the Rodeo-Chediski fire. Further discussion ensued between Mrs. Jarrett and Mr. Smith, and Mr. Smith pointed out that erosion will only increase if trucks are driven across the land.

Mr. Metzger commented that he believes the adamant rejection of any commercial activity on public lands is an impediment to sound forestry. Mr. Smith observed that there is a limited market in the Southwest, and the reality is that public investment will have to take place.

Without objection, the meeting adjourned at 4:19 p.m.

Carole Price, Committee Secretary
September 15, 2003

(Original minutes, attachments and tape are on file in the Senate.)

ARIZONA STATE LEGISLATURE
Forty-sixth Legislature – First Regular Session

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Minutes of Meeting
Tuesday, October 7, 2003
House Hearing Room 5 -- 2:00 p.m.

Chairman Chase called the meeting to order at 2:11 p.m. and roll call was taken by the secretary.

Members Present

Senator Arzberger
Senator Jarrett, Cochair
Michael Anable
Charlie Ester

Representative Chase, Cochair
Ben Nuvamsa
Lon Porter

Members Absent

Senator Brown
Dr. Wally Covington
Jack Metzger

Representative Hart
Representative Konopnicki

Speakers Present

Charles Hendrickson, Arizona Public Service Company
Michael Anable, Foray Land Consulting
Sean Noble, Chief of Staff, Office of Congressman John Shadegg
Lon Porter, Precision Pine & Timber, Incorporated
Molly Greene, representing Salt River Project (SRP)
Jack Whittier, Consultant, McNeil Technologies
Peter Johnston, Pinnacle West/Arizona Public Service Company (APS)
Sandy Bahr, representing Sierra Club

Call to Order

Chairman Chase remarked that the next meeting will be held sometime around October 29, 2003.

Forest Thinning Partnership

Charles Hendrickson, Arizona Public Service Company, related that there is too much fuel throughout the forests in Arizona, particularly northeastern Arizona, and the average cost to treat a forest to healthy standards is between \$400 and \$800 per acre. Unfortunately, in the process of treating forests, many times the excess fuel is placed in piles and burned. While this is not as disastrous as a forest fire, a substantial amount of smoke is created, which is damaging to the environment. Since the material removed from the forest cannot be landfilled and is difficult to

burn, the solution is to bring an oriented strand board (OSB) plant to Arizona to convert the fuel into a material that generates enough value to pay for thinning the forest. He explained that OSB is made from small diameter trees that are chipped so the strands have structural strength, then pressed and glued together. It is probably the most common building material product available today to build houses; in fact, the U.S. government is attempting to corner the OSB market for rebuilding Iraq. The product already has a built-in market so no marketing is needed.

Mr. Hendrickson related that he talked with two manufacturers, primarily Louisiana Pacific, which foresees a huge market in Arizona, southern California, and Nevada. Currently, the OSB that comes into the southwestern U.S. is from eastern and western Canada. A manufacturer in Arizona would realize approximately 23 percent additional margin because of costs that would not be incurred in transportation. He stated that Louisiana Pacific would have to invest about \$100 million to build a local plant that would employ about 300 people. That kind of investment will not be made without a 10-year guaranteed supply of forest products, since the plant would need to operate for 10 years in order to amortize the cost of the plant, or some form of financial protection against premature plant closure. Under existing federal rules and guidelines, it is difficult to guarantee a 10-year supply. New laws allow the Forest Service to give 10-year stewardship contracts, but those are unenforceable because of the process to treat the forest called the National Environmental Protection Act (NEPA) whereby the Forest Service conducts studies in an area on archeological sites, biological diversity, etc., before anyone is allowed to harvest wood. The Forest Service had five years worth of NEPA-approved areas to treat; however, part of that was burned in the Rodeo-Chediski fire, so now there are only two years of what could be called a guaranteed supply.

He said a community solution would be if the Northeastern Arizona Coalition of Counties formed a group and became an intermediary between an OSB manufacturer and national forests. If the manufacturer had free access to treat the forest, enough value could be obtained to pay to clean up the forest. Since the cost to treat the forest would normally be \$800 an acre, perhaps it would be appropriate for the Forest Service to pay \$150 an acre and then place the proceeds, less a small amount of initiated costs, into a security fund. After five years of operation, \$20 million would be built up in the security fund. If, at the end of five years, access was lost to the national forest, the security fund would be at risk and given to the OSB manufacturer for indemnification losses. The \$100 million invested would not be fully recovered, but those funds could help in relocating the plant and place a sizeable "burr under the saddles" of the communities to keep the fund on hand. If the security fund is never forfeited, the money would be refunded to the counties.

Mr. Hendrickson indicated that if responsible individuals representing the environmental community were to participate in monitoring the condition of the forest, those people would probably have ideas for treating the forest and could become part of the solution. He explained that an OSB manufacturer does not require chips any bigger than 12", which is fairly noncontroversial with most environmental groups. He noted that the Arizona Department of Commerce is considering creative ways to guarantee the \$20 million. He added that there are currently industries in northeastern Arizona that use forest products, and new industries would probably locate to the area. There would be room for the industries to operate with the coalition.

In conclusion, Mr. Hendrickson stated that Louisiana Pacific is very interested in locating to northeastern Arizona. The company's board will meet in October 2003 to decide whether to

enter into land negotiations, etc., and the final decision will be made in January 2004. If it does not work out, this model would suffice for other wood manufacturers as well, but because Louisiana Pacific has been involved in current discussions, the company is currently in first place. He added that this process would create tremendous synergy for other companies. The manufacturer could not crop off the limbs, take the stem, and leave the limbs lying on the ground, so the limbs would probably become the responsibility of a pellet manufacturer or biomass generator.

Mr. Hendrickson advised Mr. Nuvamsa that burnt wood can be used as long as it is not totally deteriorated. Louisiana Pacific would not be on-line for 18 months if the decision is made to locate in Arizona in January 2004, so most of the wood burned in the Rodeo-Chediski fire would probably be too far gone to use; however, other trees infested by insects are deteriorating and could be taken out of the forest and used in an OSB facility.

Chairman Chase asked if there is any interest in utilizing trees from the Aspen fire in Tucson. Mr. Hendrickson responded that the trees should be within 150 miles of the plant site for this process to be economical, although sometimes things are done because it is the right thing to do.

Senator Jarrett remarked that there was discussion during a meeting she attended in Snowflake that the state could possibly support five OSB plants. Mr. Hendrickson responded that Louisiana Pacific recently finished a very detailed study called *The Three Forests* (Coconino, Apache Sitgreaves and Tonto), which estimates that in full production, about 25 percent of those forests would be required to be treated within a 10-year period. In that case, it would take a full 40 years to treat the entire forest, by which time it would be necessary to start again. He added that he does not believe the state could support five plants.

He advised Senator Jarrett that other sizeable industries are considering locating to Arizona, one in particular in the Flagstaff area. Discussions would have to take place to determine if this model would be appropriate, but arrangements have probably already been made in the Flagstaff area.

When Mr. Ester asked the U.S. Forest Service's reaction to the plan, Mr. Hendrickson stated that the Forest Service was approached and many meetings were held on the issue. A meeting is planned at the end of October 2003 to discuss how to contractually make this happen, and the Forest Service supports the plan.

He indicated to Mr. Ester that he has been told that chips as small as 2 inches can be used; however, in talking to engineers and people who "make the rubber hit the road," 4 inches is the smallest that is commercially viable. Larger pieces can be used, but would probably be triaged since those would have a greater value elsewhere.

Healthy Forest Pilot Program

Michael Anable, Foray Land Consulting, proposed a Healthy Forest Pilot Program whereby the government would retain ownership of logs and receive revenue from sale of timber from an identified region of forested land, for a period of 10 years, upon approval and start-up funding from Congress (Attachment 1). Revenue from sale of the timber could be used to fund the next thinning project.

Mr. Nuvamsa commented that the proposal is similar to what has been discussed with White Mountain tribes where development of a new forest management plan is underway. In looking back at how the plans were previously developed, he surmised that the focus was on how to feed the timber mill. He agreed that priorities should be shifted as proposed by Mr. Anable so the forest is managed, not necessarily for a harvesting program, but for health reasons, and then prescriptions could be developed for managing the forest on a sustained basis. He added that he does not understand the argument to concentrate on urban interface areas because the interior of forests is equally important.

Mr. Porter stated that he appreciates the idea of shifting the focus. Everyone wants healthy forests, but it is necessary to be careful not to discourage those in the free enterprise system. Mr. Anable agreed, noting that under the proposal industry would receive the forest products. He is not proposing that the government build or manage the sawmill, but control what is harvested, and there would be no incentive for the private sector on how much is harvested or the prescription. He pointed out that the proposal states that grants or low-interest loans may be necessary for establishment of forest products industries, which is something the Congressional delegation would need to consider.

Mr. Porter remarked that the industry would have to be economically feasible. Senator Jarrett agreed that an industry will not invest in something that will not be profitable, which is the American way. She added that some method should be found to control what is cut while allowing private industry to make a profit. Mr. Anable responded that there is a cap in the proposal to prevent the timber industry from influencing prescriptions. If there is no profit for the timber industry, the industry should not influence prescriptions, so the prescriptions would have everything to do with the forest and nothing to do with how much money can be made. He added that he does not expect the environmental community to open-arm any proposal, so the pilot should probably involve thinning only to the amount that science deems would make the forest healthier and more fireproof. This is a pilot program intended as a "foot in the door" to reach an agreement on prescriptions. The project is large scale for 10 years, which seems to be the magic number for industry, and intended to interest industry investment.

Senator Jarrett noted that she invited several people from environmental groups to participate on the Task Force, but the offers were rejected.

Mr. Nuvamsa remarked that OSB plants, pellet mills, biomass plants, and micromills are tools in managing the forest. He indicated that it is a tremendous challenge at the lumber mill on the reservation to adapt to the type of building materials that have been available over the decades in order to sustain a good forest.

Update on Federal Legislation

Sean Noble, Chief of Staff, Office of Congressman John Shadegg, related that he grew up in Show Low so the Rodeo-Chediski fire "hit home," and he appreciates the Members taking time to deal with this issue. He advised that the process of moving the Healthy Forest Initiative through Congress has been painfully slow. Congressman John Shadegg was involved in negotiations late last year, but agreement was not reached before Congress adjourned. The House, however, did pass the Healthy Forest Initiative on May 28, 2003, and last week the

Senate came up with a bipartisan compromise, which Senators John McCain and Jon Kyl were instrumental in negotiating.

Mr. Noble provided a summary (Attachment 2) and the compromised language from the Senate (Attachment 3), noting that Title 1 of H.R. 1904 was negotiated. He anticipated that the legislation will move through the Senate shortly and on to Conference Committee, which should be interesting. An item that could be controversial is the requirement that a minimum of 50 percent of funds used for thinning occur in the wildland-urban interface. Some Members in the House cannot focus only on the wildland-urban interface, especially as it is defined under the legislation where it could be a half mile, because if something is not done on the interior lands and a huge ground fire occurs, a half mile is not enough buffer to protect communities.

Mr. Noble added that while there is some optimism, the outcome is yet to be seen. It is near the end of the year; however, the Session does not end. If Congress adjourns for Christmas and nothing has happened, the Members can begin where they left off. Hopefully, something will be sent to the President's desk for the fire season next year. He added that another issue is whether there will be time to actually effect any change. He does not think so, although the President is moving on some administrative issues. He pointed out the following provisions in the compromised legislation:

- The wildland-urban interface is defined as a half mile unless extenuating circumstances such as slopes, etc., exist.
- A good portion relates to treating areas with water quality effects on communities, which impacts Arizona. This was included due to the efforts of Senators McCain and Kyl to protect the watershed since the entire ponderosa forest is essentially a watershed. These administrative processes could be used to thin those areas more quickly than would otherwise be done.
- The House and Senate version include a limit of 20 million acres.

Mr. Noble noted that some members of the environmental community who want this to work are saying this is as far as they will go, and if any changes are made, they would not support the proposed language. In fact, some Democrats indicated they would be a no vote if anything changes on the compromise. Another obstacle posing an immediate threat to Arizona is that the Center for Biological Diversity filed a motion with the federal court to enjoin the Fish and Wildlife Service from issuing biological opinions, written concurrences, or incidental take statements relating to the Mexican Spotted Owl until Fish and Wildlife finalize their established critical habitat designation, which should be done in January 2005. If the court concurs with the request, any kind of thinning project in Arizona would be shut down until Fish and Wildlife get this critical habitat. He submitted that if the Center for Biological Diversity really had the interest of the Mexican Spotted Owl in mind, it would be championing the healthy forest process of thinning the forest to make it less prone to wildfire, which is the greatest threat to the owl.

Mr. Noble, referring to Mr. Anable's comments, stated that elements within the radical environmental movement do not want anything cut and currently place blame on industry. The environmental community knows there is not enough money in the federal treasury to pay for treatments that need to be done across the nation, and the only way it can be done is with

economic incentives for private industry, so discouraging industry involvement would ensure there would never be enough in the till to treat 20 million acres with taxpayer money. He applauded Mr. Anable's efforts in developing the proposal and indicated that he is anxious to talk to him about it. He added that Senators McCain and Kyl would appreciate kudos for helping break the logjam in the Senate and could use encouragement while going through this process.

Senator Jarrett indicated that she has some videotapes that can be used to emphasize to easterners that there is a forest in the southwest that needs to be aggressively protected and showing the devastation from fires that has occurred. Mr. Noble responded that videotapes, etc. are very instructive and helpful because there are more members of Congress east of the Mississippi than west who need to understand that all of Arizona is not a desert. He indicated that the best way to provide materials to the Congressional delegation is by mail to the state offices.

Chairman Chase remarked that during the Aspen fire, she took several photographs that were sent with a letter to all of the Congressmen and women on the Committees that deal with this issue. She did not hear back from anyone, but hopes they were seen because this is very important.

Mr. Noble advised that the legislation authorizes \$760 million to implement the program. It is not the actual appropriation, which probably would not happen until at least 2005. He indicated to Mr. Anable that because of the large debate going on in trying to pass legislation, he would anticipate some resistance to the proposed pilot project; however, he is willing to pass it on to Congressman Shadegg and other Members of the delegation for input.

Timber Industry Issues

Lon Porter, Precision Pine & Timber, Incorporated, stated that in the early 1990s, there were 11 major sawmills operating in Arizona that employed about 1,000 people. Not including the White Mountain Apache or San Carlos Apache Tribe timber, those mills used approximately 200 million board feet of timber per year out of the growth in forests of approximately 400 million board feet per year, so approximately one-half of what was growing was cut. As far as pulp material, 5-inch to 9-inch diameter sizes, the forests were growing about 400,000 cords per year, and the paper mill industry was using about 110,000 cords per year, or about one-fourth of what was growing. Today there are two small mills operating in Arizona that employ 60 to 80 people and cut between 8 million and 12 million board feet. Forests are still growing at the same rate, but the paper industry no longer uses 110,000 cords of the small wood; therefore, the forests are becoming more and more dense because only a small percentage of growth is taken out. He said the forest industry predicted devastating fires because of this growth, especially with the loss of the paper mill, so a small sawmill like Precision Pine & Timber, Incorporated is not nearly as important to Arizona as an OSB plant or paper facility that will utilize the small trees.

He questioned what the forest would be like if all of the land were owned like the White Mountain Apache Tribe owns its forest. He speculated that an operating facility would have been used as a tool rather than an end and all forests would look much different today if there were owners, even private industries that cared about the forest and its perpetuation. He noted that during a meeting with environmental groups where the 200 million board feet was discussed and how much was being cut in the forests, a paper was drawn up by the Forest Service, environmental groups, and representatives from the timber industry who agreed to 125 million

board feet. The paper was signed by everyone present, but a year later, a different environmental group filed an appeal, so now virtually nothing is going on. He submitted that someone will have to take a stand for what is right for the land.

In conclusion, Mr. Porter noted that the desk the Members are sitting at is made from wood, probably from a fairly tall tree, which more than likely died as a result of being cut; however, the tree adjacent and the same age probably died and fell over. He does not believe that tree was fulfilled as the tree the desk was cut from because it was given added life. Trees can be helped to fulfill their purpose by some sort of immortality such as display in furniture, antiques, doors, etc.

Current and Future Biomass Generating Stations

Molly Greene, representing Salt River Project (SRP), stated that SRP dedicated \$29 million to a renewable energy program for research, developing, and delivering electricity fueled by alternative energy supplies. One of the more recent areas developed is biomass technology.

Jack Whittier, Consultant, McNeil Technologies, reviewed a handout regarding *Salt River Project: Bio-Power Status* (Attachment 4).

Senator Jarrett asked what will happen to the water supply in the Valley if something is not done to the forests. Mr. Ester replied that with the proliferation of trees on the watershed, there has recently been a decrease in base flow of streams and tributaries, and on-site water for wildlife is drying up and flowing only occasionally. Remaining are flushes of run-off from heavy storm events, which would have been more of a gentle release in the past. Probably of even more concern with an unhealthy forest susceptible to tremendous wildfires that strip virtually everything off the land are huge debris flows, lots of sediment yield, and whatever else is in the soil. Soil contains many heavy elements, which is not bad, but it is then flushed off into the reservoir system, which decreases the life of the reservoirs. He explained that forests across the U.S. were initially set aside and reserved to protect the watersheds, especially in the west, and every large city essentially relies on water produced in the natural forests. As those forests become degraded, there is less water and risk of contamination after a major fire. In Denver, two years ago, one of the major reservoirs was absolutely unusable after fire during a drought season.

Mr. Ester related that during a meeting in Show Low, a member of the audience gave a personalized observation that after the Rodeo-Chediski fire, springs that had not been seen in 50 years began flowing again. That is good, but it can also be done by managing the forests.

When Mr. Ester asked if there is an opportunity to co-locate a biomass power plant with an OSB plant, Mr. Whittier responded affirmatively, noting that combined heat power applications are sought. He indicated to Mr. Nuvamsa that with a finance plan for a biomass plant, a guaranteed supply would be necessary, probably for 10 years.

Peter Johnston, Pinnacle West/Arizona Public Service Company (APS), stated that he is not aware of any grid-type renewable energy power project in the country that is cost effective. Biomass is very expensive, and no renewable energy project can exist without some form of subsidy. Even wind has a subsidy from the federal government, and it is the closest to being a

competitive scenario with more conventional modes of power generation. He reviewed a handout relating to *APS/WRE Eagar Biomass Power Generation Project* (Attachment 5).

Mr. Johnston added that this is APS' first foray into biomass. The company has 2,000 miles of transmission line through Forest Service territory, and with the devastation of bark beetles, a number of large trees are dying. If those fall on power lines, it could not only cause power outages, but also forest fires, so APS has a major right-of-way (ROW) clearing program and is considering building several other 3-megawatt power plants throughout the state coincident with the ROW clearing operations. The technologies would be slightly different as the wood chips would be gasified, but the boiler would still be used. Ten potential sites for location have been identified.

Public Testimony

Sandy Bahr, representing Sierra Club, made the following comments:

- The invitation to join the Task Force may have been lost in the mail because she does not recall receiving one.
- The Members could obtain further information by requesting a presentation from the environmental community, perhaps the Southwest Forest Alliance, which is a coalition of more than 60 groups with its own restoration plan that has done extensive work on forest issues.
- The Sierra Club is participating in the Governor's Advisory Committee, so it is clear that the environmental community is willing to participate, and perhaps there could be some coordination between that committee and the Legislature.
- Members are encouraged to go out and look at some of the proposed timber sales, such as the eastern timber sale on the north Kaibab Forest to see firsthand that old growth logging is not a figment of the imagination. It continues to go on today and is an important issue for the Sierra Club because about 5 percent is left, if that.
- She agrees with much of what Mr. Anable said and believes there is little argument about thinning and doing work around urbanized areas. If everyone wants to work together to help promote that instead of figuring out who to blame, things could be accomplished.
- Jack Cohen, who works for the Forest Service, looked at the Aspen fire and determined the homes were burned by a ground fire. The idea that homes and communities cannot be protected by doing thinning around the homes and communities is totally misleading because his research shows the opposite.
- Fire must be part of the solution, which everyone should keep in mind since it is important to convey to the public. Some of the past Smokey Bear-type education taught people not to be careless with fire, but also may have convinced people that fires should not occur in the forest, which is not the case. Fires that destroy communities and devastate habitat are not wanted.

Senator Jarrett remarked that several people from the environmental community were invited by phone and refused to participate. She personally talked to one person who declined. Ms. Bahr responded that a call was not made to her office.

Discussion

Mr. Nuvamsa stated that he spent yesterday afternoon with Pima County officials in Tucson concerning the Aspen fire, where the dilemma is how to accomplish removal of burned trees from the fire area. He and a forester shared experiences from various fires on the reservation. He suggested that the Task Force invite someone from that group to share experiences and needs, noting that if something is not done proactively about the dead or dying trees, there is the potential for insect infestation and future fire hazard, as well as impacts on the watersheds, etc.

Chairman Chase asked him to provide the names of contacts and expressed appreciation to Ms. Bahr for volunteering information. She stated that lives were lost in the Aspen fire when a helicopter went down and a constituent drowned. Homes, wildlife and forest were impacted. The bottom line is that everyone cares very much about what happens to people and the future of the forest. It is necessary to quit placing blame in order to move on and work together. She added that there is a big difference from the Aspen fire, in looking at the Rodeo-Chediski fire and lands that were worked on, which shows what happens when some removal is done. She thanked everyone for attending and the staff for their work.

Senator Jarrett thanked the presenters for their time. She noted that since several people would like to make presentations, two more meetings may be held.

Chairman Chase indicated that staff will contact the Members about the next meeting.

Without objection, the meeting adjourned at 4:18 p.m.

Linda Taylor, Committee Secretary
October 23, 2003

(Original minutes, attachments, and tape are on file in the Office of the Chief Clerk.)

ARIZONA STATE LEGISLATURE
Forty-sixth Legislature – First Regular Session

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Minutes of Meeting
Tuesday, November 18, 2003
Senate Hearing Room 1 -- 2:00 p.m.

Cochairman Jarrett called the meeting to order at 2:10 p.m.

Members Present

Senator Jack Brown	Jack Metzger
Representative Joe Hart	Ben Nuvamsa
Representative Bill Konopnicki	Lon Porter
Michael E. Anable	Senator Marilyn Jarrett, Cochairman
Charlie Ester	Representative Cheryl Chase, Cochairman

Members Absent

Senator Marsha Arzberger	Wally Covington
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Speakers Present

Kerri Morey, Senate Research Analyst
Jim Hibbitts, representing U.S. Forest Service
Mike Hart, State Land Fire Management
George Weisz, Special Assistant, Arizona Department of Corrections (ADC)
Dr. Walter Meyer, Chairman, Winkelman Natural Resource Conservation District
Senator Robert Blendu
John Mosier, representing himself, Prescott

PRESENTATIONS:

Kerri Morey, Senate Research Analyst, reviewed a memorandum addressed to Members of the Joint Legislative Task Force relating to her research on the coupling of a sawmill with a biomass power plant (Attachment 1). She advised that this type of project uses the larger materials to manufacture lumber and other products, while the smaller diameter material and sawmill waste is used as fuel for a biomass power plant. The pairing of the sawmill and power plant could reduce the cost of thinning Arizona's forests and the cost of generating electricity from biomass. She said she spoke to public utilities, governmental agencies, private contractors and consultants, but was unable to locate an existing project or plan that couples these two uses of forest materials. Two private consultants reported that they conducted some fiscal analyses of coupling a sawmill with a biomass power plant. Generally speaking, they stated that electricity generated by this

type of project would cost in the range of eight to ten cents per kilowatt hour while electricity generated from common fuels, such as gas and coal, cost between four and five cents per kilowatt hour. Based upon this general information, a subsidy of four to six cents per kilowatt hour is needed to make this electricity competitive in today's electricity market. In addition to these costs, other costs and concerns would need to be addressed, including obtaining reliable forest resources and transmitting the electricity to areas of need. She revealed that all contacted parties expressed an interest in receiving more information on this research.

Mr. Metzger noted there are a few projects in Northern California that are generating electricity using pinon and juniper. He asked whether they were contracted. Ms. Morey replied in the negative. The projects she was able to find out about did not couple a sawmill with electrical generation.

Mr. Porter said he is familiar with several mills in Oregon and Washington that do this with their sawmills. He said he would get their names to staff. Ms. Morey said she will do more research when she finds out the names of the mills.

Cochairman Jarrett asked Mr. Porter whether he has spoken to people who would be willing to work with private industry on such a project. Mr. Porter revealed that when the idea was researched some years ago, the objective was to reduce the costs of power to the sawmill, not sell the power to the power companies. Cochairman Jarrett asked whether this Committee might be able to work with some of that information to help promote this industry. Mr. Porter replied in the affirmative. He thinks that Arizona needs to look at this in view of what is needed relative to sawmills as well as what is needed relative to our forests. Cochairman Jarrett asked Mr. Porter to put something together and work with staff so the Committee could move forward with legislation.

Mr. Nuvamsa advised that the White Mountain Apache Tribe is doing a study on a biomass plant. The difference is that this is on federal trust lands. In addition, there is sensitivity to release information by the tribes. He said he will talk to the people doing the research. He agreed there is material that needs to be shared. He disclosed there are two sawmills on the reservation with a lot of waste material that needs to be disposed of. Cochairman Jarrett wondered whether Mr. Nuvamsa and Mr. Porter could work on this. Mr. Nuvamsa said there may be a possibility of entering into a cooperative agreement with the tribes.

Mr. Metzger stated that one obstacle that arose in the past was the cost effectiveness of producing electricity from biomass. He said that if forest restoration and a healthy forest are looked at as public issues, perhaps raising utility rates might help in terms of getting these projects going.

Representative Hart revealed there are some people from Montana who would like to come to Arizona to start a biomass plant. He thinks they are very serious about such a project if the state can put together some kind of program to lure them here.

Jim Hibbitts, representing U.S. Forest Service, provided a summary of the draft environmental impact statement for the Rodeo-Chediski Fire Salvage Project (Attachment 2). The impact statement discloses the direct, indirect and cumulative environmental impacts. He related that

three decision memos were issued on December 23, 2002 for the treatment of materials along the roads, fences, campgrounds and administrative sites. Four timber sales were ordered; three on January 8, 2003. On January 9, 2003, the Forest Service was sued. There was no cutting until Judge Martone ruled in the District Court of Arizona on July 9 approving two of the decision memos. The third decision memo involved cutting dead trees within a half mile of private land. Judge Martone required an environmental assessment if the Forest Service intended to proceed. The environmental assessment has been written and will be released on November 19, 2003. He reviewed the timeframe for issuing an impact statement, posting and incorporating comments. Each step of the process can be delayed if the Forest Service is deficient in any of the steps it must follow. He said he does not know what the Task Force can do to help the Forest Service. One possibility is that the state can try to block the collection of attorney fees. Every time the project is remanded back to court or a settlement reached, the government is subject to enormous attorney fees.

Mr. Metzger queried what the timber will be like by mid-summer. Mr. Hibbitts replied that it is rapidly deteriorating.

In response to Mr. Porter relating to fees, Mr. Hibbitts explained that the litigant is entitled to fees whenever the Forest Service loses or is remanded back or a settlement reached. There are no fees when the Forest Service wins.

Cochairman Jarrett pointed out that fees are a federal issue. Mr. Hibbitts concurred. He also noted that most of the lawsuits are frivolous.

Mr. Porter claimed that if the forest had been managed properly before the Rodeo-Chediski fire, plenty of timber would be available.

Cochairman Jarrett asked the secretary to call the roll.

Mike Hart, State Land Fire Management, testified that the State Land Department issues leases, generates revenue on state land, provides fire protection and gives technical assistance to private landowners in forest-related matters. A paper on the Forest Health Program was distributed (Attachment 3) as well as a status report on fire assistance grants (Attachment 4). He revealed that the Department has been in the forest health business since 1966 when an agreement was signed with the U.S. Department of Agriculture, and state legislation was passed creating an Arizona State Forester. State laws allowed the Land Department to implement forest land management and protection programs on state and private land in the state, and to take advantage of federal forestry cost-share programs.

Mr. Hart revealed that the Land Department's highest priority continues to be the protection of state and private land from wildfire. There are approximately 19.4 million acres of forest land in Arizona. Approximately 3.1 million acres of forest land are in state and private ownership, not including forest land inside municipal boundaries. Land management agencies have recognized deteriorating forest health conditions for years, and the issue continues to be how treatment will be paid for. Large, destructive and very expensive wildfires in recent years have convinced the public and government that something must be done. Input was solicited by land management agencies and the result was the creation of a national fire plan and states identifying areas at risk.

from catastrophic wildfire. Additionally, funding from Congress in the form of grants to address the Wildland Urban Interface Wildfire Program has resulted in expanded opportunities to address our forest health and wildfire programs. Substantial progress is being made in reducing the risk of future catastrophic fires and improving the health of our forests.

Mr. Anable advised there were efforts made a few years ago to try to merge other federal programs with the current need for intensive thinning operations. He said he is referring to the Farm Bill and the Urban and Community Forest Programs. He wondered whether the Land Department has had any more conversations with the federal government on updating those programs and making some of those monies available for forest thinning. Mr. Hart answered that by commingling, monies were taken from different programs to do what was needed.

Mr. Metzger mentioned that there have been a lot of funding problems involving the Extension Service and private land in Flagstaff this past summer. Mr. Hart said the funds were available to the Extension Service through the Land Department. Mr. Metzger related that the Extension Service contracted for work with private property owners, but did no work. He said there are some very unhappy people there and this issue needs to be fixed quickly. He queried whether the Land Department can release the properties it has contracted with because there are a lot of private groups that would like to get that work but cannot get started because the property cannot be released. Mr. Hart advised that its agreements are with the Extension Service, not the land owners. He said he will talk to the Extension Service about it.

In response to Cochairman Jarrett, Mr. Metzger answered that agreements were signed with the Extension Service and the work is not getting done. In addition, the work was to be done at 20-25 percent of what the going rate is, and the private sector cannot go in and do the work at the subsidized rate. He reiterated that if the state is over committed, they need to release that so the job can be done.

Cochairman Jarrett queried whether prisoner crews are brought in to do the work. Mr. Hart explained that the county uses crews, including prisoners and youth under a job-training program, to reduce the fire hazard in areas around homes.

Cochairman Jarrett said she understands the bark beetle problem is really bad in the forest area owned by the state. She asked the percentage of trees being lost to the bark beetle. Mr. Hart replied that in some areas, there is a 90 percent fatality rate due to the bark beetle. He said the ponderosa pine has been eliminated completely in those areas and it will take hundreds of years for the ponderosa pine to come back.

Mr. Nuvamsa asked if the purpose of the grants is to remove or thin out green timber. Mr. Hart answered in the affirmative. Mr. Nuvamsa queried whether these funds can be used to remove burned trees. Mr. Hart said they can be.

Cochairman Chase noted that with the Mount Lemmon fire, one of the grants was for the completion of the homeowner's guide. Mr. Hart explained that the early grants had a lot of education in them. The later grants put priority on treatment.

Mr. Porter stated that the Heber-Overgaard Fire District received grants to help people do some of the work on their own. The rules are specific for the homeowners. They have to do certain things in order to qualify to receive matching funds. Those who live next to the national forest are questioning why they are required to meet the specifications while nothing is being done by the Forest Service to prevent the bark beetle or catastrophic fire in the forest. Mr. Hart claimed the Forest Service is implementing many projects in the forest.

Representative Hart pointed out that seven out of 22 grants listed in the status report actually do something on the ground; the rest are for education.

Mr. Hart replied that there are certain requirements the Forest Service wants to see for the money they send to the state of Arizona. Representative Hart suggested these folks should be shown pictures of what can happen if they do not do it. Mr. Hart commented that these grants provide an opportunity to do something to take care of a very real problem; however, they cannot be forced to do anything. Representative Hart maintained that money and time is being wasted if these people are not motivated to do something.

To that point, Cochairman Jarrett said the intent of this Committee is to come up with recommendations for legislation. She asked Members to get information to staff in order to draft legislation.

George Weisz, Special Assistant, Arizona Department of Corrections (ADC), spoke about the role of inmates. He explained the Department has about 75-95 inmates who participate in wildfire teams on the front lines working with other firefighters. The Department started brush removal teams this past year for preventive purposes. There are about 80 inmates throughout the state to remove brush. The Department would like to expand the program; however there are problems of providing for security and overtime expenses for officers because inmates have to be transported back and forth from the facility. ADC is looking at ways to try to keep inmates on site by providing temporary housing. The Department thinks this is an outstanding program.

Representative Hart queried whether there is any incentive for prisoners to volunteer for these hazardous duties, such as time reduction. Mr. Weisz replied there is a 50-cent pay incentive but no incentive for time. He said the benefit for the inmate is to be out of the institution, but at the same time they are risking their lives. Representative Hart said that perhaps improving their incentive to volunteer might solve the prison over-crowding problem. Mr. Weisz reiterated there are a number of issues to be considered, such as providing training and officers for security.

Mr. Anable pointed out that these inmates are those who can be trusted with chain saws, etc. These inmates are not high risk, so consequently, there is high turnover because they are not in prison for an extended period of time. It is a big expense for the state to train and equip these inmates. Mr. Weisz said some inmates are short-term but a number are in for a considerable amount of time.

Mr. Ester asked whether ADC is able to contract with individual landowners or only with other state agencies. Mr. Weisz replied that the Department contracts with the State Land Department and the Department of Transportation, not with private entities. He said inmates have worked on private lands, set up by other public agencies, but ADC has not been involved with that. Most of

its work is on forest land or right-of-way land along the highways. Inmates also do post-fire work and fill sand bags as well. If other uses for these inmates arise, the Department will be happy to consider them.

Cochairman Chase informed Members that the next meeting is the final meeting. She stated that it is vital to get information together for possible legislation. The goal is to find common ground within the Committee to improve things on forest lands.

Mr. Anable again brought up his question to Mr. Hart on any movement to expand the utilization of the Farm Bill and the Urban and Community Forest Programs to treat timbered land. He stated that if the federal government modifies how it interprets some of these programs, a lot of money will be available that the state can go after. He said the Task Force can recommend that a particular state agency enter into discussions with the appropriate federal agencies to see what can be done to twist those federal programs to meet Arizona needs.

Representative Hart stated that time is of the essence. He mentioned the need to figure out ways to cut bureaucratic red tape so some work can actually be done. He thinks a countersuit should be filed to keep anyone from enjoining any other actions until the salvage job can be done. One thing preventing the job being done is frivolous lawsuits.

Mr. Anable said it might be useful at the next meeting for staff to remind Members of ground already covered and the content of the different proposals.

Mr. Metzger concurred with Representative Hart. He said the issue is not how the materials are used; the issue is getting the product. The state's economy, watershed, etc. are in jeopardy if this issue is not dealt with. He maintained there are a lot of things in the state that are threatened if something is not done.

Senator Brown advised that he spent a week in Washington, D.C. with the White Mountain Development Group who met with our Congressional delegation, Department of Agriculture and forest representatives. The goal was to seek their help in getting the local people in the Forest Service to feel more comfortable with getting something done. He said there is the need to keep contacting the people in Washington to ensure that the work comes down to the local level and to ensure that the local Forest Service people have the support of their superiors.

Mr. Nuvamsa concurred with comments made about getting down to business. He submitted that things should be done because of the need to be ready to go with projects when the appropriations are made. In addition, he brought up the spotted owl and said it could tie things up. He said it has broad implications on the forest health.

Mr. Porter thinks the state needs to influence what the federal government does in our state because it affects the people who live here and the property owners who pay the property taxes.

Dr. Walter Meyer, Chairman, Winkelman Natural Resource Conservation District, testified on some economic impacts on local communities:

- Definition of *forest* or *forest lands* - should include zones that have other uses, such as grazing lands. He referred to Mr. Anable's remarks about getting Farm Bill monies. He

advised that those monies cannot be used on federal lands, and can only be used on private lands or State Trust lands. He thinks this Committee can address that issue.

- Nonsource pollution - in the Aspen fire, Pima County was concerned with nonsource pollution that came off the burned homes. There was great concern that some hazardous materials would go into the watershed for the groundwater supply for Tucson.
- Prison crews - while fighting the Aspen fire, inmates worked on private lands. He opined they are a very valuable asset for the state.
- Forestland health and stabilization of soil - the downstream removal of soil should be addressed. If soils are lost off of forestlands through erosion, there will be no forestlands and it will take thousands of years to redevelop those soils. He believes Farm Bill monies are a source of revenue and a valid use to address this problem.
- Impact of fires on other resource lands - some areas were burned black. Wildlife that was not destroyed in the fire was displaced and had to go to other areas where forage was available to them, displacing other animals on those sites.
- Livestock operators who have grazing permits on forest service land – it is the policy of the Forest Service to take those cattle off the grazing permit for two to five years. The herds have to be put someplace else, at great expense to the livestock operators, or are even sold. If they are put on State Trust lands, it is not good land management policy because they beat those lands up.
- Infrastructure – if the infrastructure of the forest industry, the livestock industry or the wildlife industry is destroyed, it will not come back.

Representative Hart commented that there are only four or five states that do not have the financial woes that Arizona does and those states have a strong natural resource-based economy. He maintained that Arizona needs to harvest those natural resources.

Senator Robert Blendu, said that everyone has come to the conclusion that it costs a lot more to fight these fires than it does to clean our forests. He revealed that there is a mechanism to clean our forests, and the most cost-effective way is the biomass and a lumber yard. Every time an acre of forest is cleaned, 75 percent is waste. There is not enough profit in the lumber for the sawmill owner to get into business. Coupling the biomass plant with a lumber facility results in a mechanism that offsets the cost of the biomass plant in an environmentally friendly way of dealing with the waste. The problem is that a biomass plant costs more per kilowatt than any other form of electricity. He said that as public policymakers, Legislators can go to the utility companies and tell them the goal is to clean our forests, and ask what is fair and attractive to them. He said the problem is supply. Once this problem is solved, if there is no plan in place, it still will take a year or two to get anything done. He advised that a model has been found. He opined that once Arizona uses this model, it will become the model for the rest of the country. Arizona will lead in this particular area. Following this plan will get Arizona's forests clean and create good jobs.

Mr. Ester asked Senator Blendu for clarification of his proposal to ask utility companies to increase their rates and pass them on to the state for forest management. He thinks it sounds like a tax without representation. Senator Blendu countered that no one will clean up our forests for free. He maintained that our utility companies need to be dealt with in a fair and equitable manner. His plan is to assess all people who pay electric bills for the purpose of using that money to clean our forests. He contended that it will be cheaper than the cost of a fire. Mr. Ester agreed that it will cost a third less than a fire.

Mr. Ester queried why the proposal is limited to utility companies. He said there are other sources who make use of the forests, such as sportsmen. Senator Blendu observed that those people pay electric bills, so they will be paying for it.

Mr. Metzger mentioned that financing the infrastructure needed to start a new business is difficult. He asked Senator Blendu if he would be interested in putting something together where the state can offer low interest loans to these companies to get them started. Senator Blendu replied in the affirmative. He thinks it would be more expedient to put the monies collected from each electric bill into a fund, to be used for various purposes.

John Mosier, representing himself, Prescott, stated that he is a concerned citizen. He testified that he recently moved to Prescott from Scottsdale, and got really upset when he discovered nothing was being done to remove the dead and dying trees. He started a group called Citizens Advocating Local Control of Our Forests. The purpose of the group is to combine sound science with local detailed knowledge of the forests. It is hoped this will result in healthier forest lands and lower danger of wildfires. He distributed a copy of a press release he will give later today (Attachment 5).

Mr. Mosier said his intent was to start a grassroots organization of educated voters who are concerned about the real health of our forests. He revealed that there is an organization whose main objective is to end logging. The logging infrastructure has been destroyed in the last 20 years and the cost to fix it is now back on the taxpayers. The purpose of his group is to expose the hidden agendas and offer a voice for people who are trying to correct this problem. The real challenge is speaking up against a small group of people who are seeking to destroy our forests and our way of life. The Forest Service people in Prescott told him there is a lot of work the individual citizen can do. Landowners who have property adjacent to the national forest can take the initiative to do things to help keep the forests healthy.

Cochairman Chase thanked the individuals who testified at this meeting and said she hoped they can be here when bills on these issues go through the Legislature. She stressed that the support from people in our communities are needed.

Cochairman Chase announced that staff will meet to discuss the date of the next meeting and will notify everyone when a firm date is set.

Without objection, the meeting adjourned at 4:20 p.m.

Joanne Bell, Committee Secretary
January 20, 2004

(Original minutes, attachments and tape on file in the Chief Clerk's Office)

ARIZONA STATE LEGISLATURE

JOINT LEGISLATIVE HEALTHY FOREST TASK FORCE

Minutes of the Meeting
Tuesday, December 16, 2003
10:00 a.m., House Hearing Room 3

Members Present:

Senator Marilyn Jarrett, Cochair
Senator Jack Brown
Michael E. Anable
Molly Greene (for Charlie Ester)

Representative Cheryl Chase, Cochair
Representative Joe Hart
Ben Nuvamsa

Members Absent:

Senator Marsha Arzberger
Dr. Wally Covington
Jack Metzger

Representative Bill Konopnicki
Charlie Ester

Staff:

Kerri Morey, Senate Natural Resources and Transportation Committee Analyst
Tracey Hester, Senate Natural Resources and Transportation Committee Assistant Analyst
Kathi Knox, House of Representatives Majority Research Analyst
Kristine Stoddard, House of Representatives Majority Research Assistant Analyst

Cochairman Chase called the meeting to order at 10:30 a.m. and attendance was noted.

Representative Chase announced this is the final meeting of this Task Force and she indicated draft copies of the recommendations have been distributed (Attachment A).

Call to the Public

Bas Aja, Arizona Cattlemen's Association (Association), stated that after reviewing the recommendations, the Association would support all of them. He referred to the first bullet statement in Item 4 and pointed out that he would like to see "treatment operations" stated more explicitly. He explained that as a result of forest fires, the water cycle changes and the forests are yielding less water than previously. He suggested including language pertaining to enhancing and returning to a healthy water cycle in the forests.

Representative Chase requested staff to meet with Mr. Aja to discuss his suggested changes.

Representative Chase read Item 1 from the recommendations and asked whether there is any discussion.

Senator Jarrett suggested that the Task Force adopt Item 1, and requested staff to forward a copy to the Task Force members for their signatures.

Mr. Anable provided background information on the Western States Land Commissioners (WSLC), and he suggested that the Task Force send a letter to WSLC to consider this recommendation or resolution. In response to Senator Jarrett, Mr. Anable suggested asking WSLC to consider this topic in their next round of resolution drafting. He pointed out that a number of western states derive income from the logging profession, and he would be interested in having WSLC examine this issue to see whether a quorum of the 22 western states in WSLC could put together a position to offer to Congress.

Representative Hart suggested including the Western Governors Association as well.

Representative Chase asked whether there is any discussion on Item 2. Senator Jarrett asked the members to review the item and welcomed any comments. She added that a vote would be taken when a quorum is present.

Representative Chase asked whether there is any discussion on Item 3. Senator Jarrett asked whether this item is forwarded as a request to the Governor or the State Land Department. Senator Brown stated it would probably be sent to different groups, and that the Task Force should work with the United States Forest Service because they will have a greater influence on how much money will be considered for Arizona. He believes the effort should be coordinated with all groups including the Forest Service, State Land Department and local community organizations to ensure that any proceeds received are used wisely.

Kerri Morey, Senate Analyst, stated that Senator Brown is correct. She explained the funds are funneled through the State Land Department and given to local governments and local landowners to reduce the amount of fire danger on properties.

Mr. Anable explained the State Land Department needs to be involved, and the cooperation of the Forest Service is needed to reallocate the grant monies. He said the monies come from the Forest Service to the State Land Department and then to local governments and individuals. He commented that at the last meeting Representative Hart voiced concern that many of the projects were not "on the ground projects." Therefore, the intent of this recommendation is to maximize and prioritize monies in a timely manner for "on the ground projects," as opposed to preparatory type projects.

Senator Jarrett referred to the last bullet item in No. 4 and asked whether the Report could include information as to whether the timelines are being established and how that can be accomplished. Representative Chase said she agrees with Senator Jarrett's concern regarding timelines.

Representative Hart emphasized he is more concerned with initially taking out the dead and damaged trees before the weather changes, which in turn would help revive the remaining healthy portions of the forest.

Mr. Nuvamsa commented that it may be a good idea to take a look at existing grants to see if something could be done to reassess and redirect the use of those grants to focus on ground projects. He said it is worth looking at the State Land Department's grant rules to find out the intent of the grants, and redirect them to ground projects as opposed to using those grants for preparatory work or computers.

Representative Chase asked staff to follow up on those suggestions with the appropriate people.

Mr. Anable commented at the last meeting he made a suggestion, which could be included in Item 3 or 4. He believes the State Land Department should be tasked with exploring whether there are other non-traditional kinds of grant monies available, such as in the Farm Bill or perhaps soil conservation funds that are not traditionally geared toward forests but could be aligned with these types of forest projects.

Senator Jarrett asked staff to review No. 4 and to include Mr. Anable's recommendation.

Kathy Knox, House of Representatives Analyst, explained Item 4. She explained how the potential pilot programs could be identified to promote forest health and watershed health including large land areas. She said a separate sentence could be added at the end of that item, which states that pilot programs should also address methods to develop healthy watersheds. Senator Jarrett commented she would like to see that as a separate bullet point for emphasis. Representative Hart said he agrees with Senator Jarrett, since watershed is very critical.

Representative Chase referred to the second bullet point in Item 4 regarding the use of public-private partnerships to promote forest health, which could also be worked into the session law piece. She said this item is requesting the State Land Department to explore various options that might be available, and to make recommendations that could be included in the report. She noted it would also include any steps necessary for regulatory relief that would be necessary in order for that pilot program to work. She indicated the State Land Department could identify the framework, and then advise the Legislature of any problems, costs or other conforming changes to statute that might be necessary. She said the draft report would be due November 1, 2004, or a recommended date could be discussed if a different timeline is preferred.

Senator Jarrett asked staff if that would be a good place to include Mr. Anable's suggestions regarding other grant monies that may be available. Ms. Knox responded "yes." She said session law could be drafted to include some specifics, and the second subsection of session law would include a report. She said the session law would list the items to be included in the report, such as the status of the fire assistance grant and any other grant sources that may be available for generally maintaining healthy forests.

Mr. Nuvamsa referred to the second bullet point in No. 4 and said there are tremendous opportunities to enter into some agreements with State and local governments, including Tribes, to take advantage of the funds that will be forthcoming under the Forest Health Bill. He said collective joint projects rather than competing against each other would have a better acceptance and higher ratings. He believes the bullet point should be expanded to allow for these types of partnerships. Representative Chase agreed that is an excellent idea.

Wendy Baldo, Senate Majority Staff, stated she spoke with the Senate President's Office regarding the fact that a quorum is needed. She said the President agreed to appoint Molly Greene of Salt River Project to replace Charlie Ester for the purpose of a quorum. Representative Chase welcomed Ms. Greene to the Task Force.

Senator Jarrett moved that the draft letter as discussed be adopted and distributed to the members for approval. The motion CARRIED by a roll call vote of 7-0-5.

Senator Jarrett moved that the recommendations as discussed be drafted and sent to members for approval and that a letter be forwarded to Congress as quickly as possible implementing those recommendations. The motion CARRIED by a roll call vote of 7-0-5.

Senator Jarrett moved that the State fire assistance grant be maximized as discussed in Item 3, that copies be sent to the Task Force, and that the Task Force move forward as quickly as possible.

Ms. Knox explained that point will be included in bullet point No. 4 as part of session law.

Senator Jarrett moved to amend her motion that the Task Force take Items 3 and 4 as discussed and have them included in session law in order to move them forward in the next session, and that copies will be sent to the Task Force. The motion CARRIED by a roll call vote of 7-0-5.

Representative Chase extended thanks for support and participation on the Task Force. Senator Jarrett also commended everyone for participating, and asked for continued support as legislation moves through the process.

There being no further business, the meeting was adjourned at 11:05 a.m.

Respectfully submitted,


Nancy DeMichele
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)

HEALTHY FOREST PILOT PROGRAM

A. Are there thinning prescriptions on which most can agree?

- There is little argument about thinning around urbanized areas.
- The thinning models sometimes offered by certain environmental groups may be beneficial in certain areas. Land Department prescriptions are not too different in some areas.
- There are prior examples of pilot projects which have been implemented on small scale areas.

There are impediments:

- Maximum size limitations on tree diameter do not allow flexibility in prescriptions and may not provide for science based management.
- Appeals and lengthy environmental review make implementation difficult.
- Lack of funds and resources.

What is the real reason for maximum diameter limitations? Answer: Fear that the timber industry will be revitalized and influence the thinning prescriptions.

How do we get past this?

B. Is it time for a paradigm shift?

- If we create a new approach to ownership of logged trees, can we get past the maximum diameter limitations? If the government retained ownership of the logs and retained any revenue from the sale of the timber, the timber industry of the past would have no interest in the forest thinning prescriptions.
- Thinning prescriptions could be moderated by a standard of "minimum necessary removal for fire and forest function" purposes to assure interested parties that old growth is not the target.
- Revenue from the sale of timber could be returned to agency to fund next thinning project.
- The fledgling service industry of forest thinning contractors would bid on the thinning projects regardless of board footage or size of trees. This industry would be expected to grow.
- Stability of forest product output could support forest product industry investment in the state.

C. Proposed Pilot Program

- Win Congressional approval for Pilot Program with start-up funding.
- Identify a region of forested land (i.e. Apache National Forest) that would be managed under the pilot program for ten years.
- Shortened NEPA process would be required and prescriptions based on "minimum necessary removal" standard. Appeals would be limited to whether agency chose a reasonable prescription.
- Agency solicits bids for removal of trees.
- Agency sells and retains the revenue from the forest products.
- Possibly will need grants or low interest loans for establishment of forest products industries.

**Joint Legislative Healthy Forest Taskforce
Presentations**

Tuesday, November 18, 2003

- Staff presentation on Biomass Energy and Products Research
- U.S. Forest Service Draft Environmental Impact Statement for the Rodeo-Chediski
- Fire Salvage Project
- Presentation by Department of Corrections
- State Land Issues, Mike Hart, State Land Fire Management

Tuesday, October 7, 2003

- Forest Thinning Partnership, Charlie Hendrickson, APS
- Healthy Forest Pilot Program, Michael Anable
- Update on Federal Legislation, Sean Noble, Chief of Staff, Office of Congressman Shadegg
- Timber Industry Issues, Lon Porter
- Current and Future Biomass Generating Stations by Molly Greene, representing Salt River Project (SRP), Jack Whittier, Consultant, McNeil Technologies and Peter Johnston, Pinnacle West/Arizona Public Service Company (APS)

Wednesday, September 10, 2003

Update on the current condition of Arizona's forests by Dr. Wally Covington, Regent's Professor, School of Forestry, Ecological Restoration Institute, Northern Arizona University

Report on restoration activities on reservation land in response to the 2002 Rodeo-Chediski wildfire by Ben Nuvamsa, Superintendent, Fort Apache Agency

Discussion of science-based approaches to improving the health of Arizona's forests by Dr. Wally Covington, Regent's Professor, School of Forestry, Ecological Restoration Institute, Northern Arizona University